

Message Text

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ACTION PM-04

INFO OCT-01 AF-08 ISO-00 DODE-00 CIAE-00 INR-07 NSAE-00

IGA-02 L-03 /025 W

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P 101228Z SEP 76

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC PRIORITY 864

INFO USCINCEUR, VAIHINGEN PRIORITY

C O N F I D E N T I A L ADDIS ABABA 10185

E.O. 11652: GDS

TAGS: MASS

SUBJECT: ETHIOPIAN FMS CREDIT, FY7T

REF: (A) ADDIS ABABA 9974, (B) SECDEF 022158Z SEP 76

1. CHMAAG CALLED ON MINDEF AYALEW MANDEFRO SEPT 8 TO DELIVER LETTER INCORPORATING DETAILS OF PROPOSED FY7T FMS CREDIT AGREEMENT AS PROVIDED REF B AS WELL AS DRAFT OF PROPOSED AGREEMENT ITSELF, AS PROMISED IN HIS MEETING WITH AYALEW OF AUG 27 (REF A).

2. AYALEW RESPONDED QUITE CALMLY AND MATTER-OF-FACTLY THAT DRAFT AGREEMENT WAS "SUPERSEDED" AS LONG AS INTEREST RATE REMAINS SO HIGH. CHMAAG SAID THAT WE HAD NOT QUITE RECEIVED THAT IMPRESSION FROM CHARGE'S CONVERSATION WITH FONMIN KIFLE ON SEPT ONE, BUT AYALEW REPEATED FLATLY THAT ISSUE IS "DEAD" AS LONG AS INTEREST RATE REMAINS SO HIGH.

3. AYALEW'S COMMENT WAS CLEAR ENOUGH. HE WOULD HAVE USG UNDERSTAND THAT: APPARENTLY NEITHER HE NOR FONMIN ARE PREPARED TO ARGUE ANY FURTHER WITHIN EPMG DECISION-MAKING CIRCLES FOR CREDIT ON TERMS OFFERED; UNLESS WE ARE PREPARED TO DO SOMETHING ABOUT INTEREST RATE, MATTER IS NOW CLOSED; EPMG IS NOT REFUSING OFFER FOR REASONS OF POLICY BUT SIMPLY BECAUSE IT COSTS TOO MUCH MONEY; AND IF WE WERE WILLING TO LOWER INTEREST RATE, EPMG WOULD
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PRESUMABLY BE WILLING RECONSIDER. ADDITIONAL IMPLI-

CATION MIGHT BE THAT BURDEN IS THEREFORE OURS TO
DEMONSTRATE CONSTANCY OF OUR RELATIONSHIP, ALBEIT ON
THEIR TERMS.

4. WE PRESUME FROM TENOR OF REMARKS MADE BY DEPUTY
ASST SECY BOLEN TO CHARGE MEKBIB (STATE 212631) THAT
DEPT IS NOT PREPARED TO RECONSIDER ETHIOPIAN REQUEST,
ALTHOUGH WE WOULD APPRECIATE KNOWING FOR OUR OWN INFO
WHETHER ANY KIND OF COMPROMISE IS POSSIBLE. WE
THINK, HOWEVER, THAT, BEFORE DEPARTMENT AND DOD TAKE ANY
ACTION TO REALLOCATE CREDIT ELSEWHERE BASED UPON
AYALEW'S COMMENTS, WE SHOULD GO BACK ONE LAST TIME TO
FONMIN KIFLE WODAJO AND PERHAPS AYALEW, TELL HIM THAT
EMBASSY IS OBLIGED OFFICIALLY INFORM DEPT THAT EPMG IS
NOT PREPARED TO SIGN DRAFT AGREEMENT AS PROPOSED, AND
THAT AT THAT POINT CREDIT OFFER WILL BE WITHDRAWN AND
REALLOCATED, ASKING IF THIS IS THE WISH OF THE EPMG.
WE COULD ALSO TAKE OCCASION TO MAKE ANY OTHER POINTS
RE MILITARY ASSISTANCE PROGRAM THAT DEPT CONSIDERS
DESIRABLE.

5. APPRECIATE YOUR VIEWS ASAP.
TIENKEN

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